

1546

OFFICIAL
FILE COPY
DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO.1
PARISH OF AVOUELLES
BUNKIE, LOUISIANA

JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1

PARISH OF AVOYELLES

BUNKIE, LOUISIANA

JUNE 30, 2008

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGE</u>
Independent Auditor's Report		1 - 2
Statement of Net Assets	A	3 - 4
Statement of Activities	B	5
Statement of Cash Flows	C	6
Notes to the Financial Statements		7 - 17

SCHEDULE

Supplemental Information:

Patient Service Revenues	1	18 - 19
Other Operating Revenues	2	20
Professional Services	3	21
General and Administrative Services	4	22
Governing Board Expenses	5	23
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards		24 - 25
Schedule of Findings nad Questioned Costs and Management's Corrective Action Plan		26 - 30
Schedule of Prior Year Findings		31 - 32

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



*Glen P. Langlinalis, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayla L. Falcon, C.P.A.*

*Patrick M. Guidry, C.P.A.
Ashley V. Breaux, C.P.A.*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of June 30, 2008 and 2007 and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

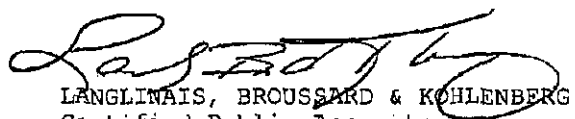
We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, at June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2008, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules one through five is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hospital District No. 1 has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



LANGLINAIS, BROUSSARD & KOHLENBERG
Certified Public Accountants

November 24, 2008

HOSPITAL SERVICE DISTRICT NO.1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF NET ASSETS

<u>ASSETS</u>		<u>2008</u>	<u>2007</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$	875,323	\$ 1,046,540
Accounts receivables, less allowance for doubtful accounts of \$3,204,243 in 2008 and \$2,974,765 in 2007		1,115,478	1,087,319
Due from third party payors		370,704	52,199
Other Receivables		65,990	43,693
Inventories		221,364	227,029
Prepaid expenses		55,473	32,275
Total Current Assets		<u>2,704,332</u>	<u>2,489,055</u>
ASSETS WHOSE USE IS LIMITED:			
By bond indenture		185,882	165,005
By board		<u>23,604</u>	<u>23,197</u>
Total Assets Whose Use is Limited		<u>209,486</u>	<u>188,202</u>
PROPERTY, PLANT AND EQUIPMENT:			
Property, plant and equipment, cost		8,217,359	7,041,142
Less accumulated depreciation		<u>4,584,798</u>	<u>4,175,405</u>
Total Property and Equipment		<u>3,632,561</u>	<u>2,865,737</u>
OTHER ASSETS:			
FQHC development costs			<u>30,220</u>
TOTAL ASSETS	\$	<u>6,546,379</u>	\$ <u>5,573,214</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT A

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 233,955	\$ 272,057
Accounts payable	679,305	434,026
Due to third party payors	161,780	388,452
Credit balances	87,323	66,803
Interest payable	14,569	15,055
Accrued salaries and related withholdings	213,832	138,906
Accrued vacation and holiday expense	<u>158,503</u>	<u>163,269</u>
Total Current Liabilities	<u>1,549,267</u>	<u>1,478,568</u>
 LONG-TERM LIABILITIES:		
Long-Term Debt:		
Note payable - Baytree	24,213	39,505
Note payable - Dialysis	-	6,895
Note payable - Ultrasound	36,186	58,336
Revenue bond 1972	25,000	45,000
Revenue bond 2006	45,647	166,384
USDA HVAC	904,170	946,733
Rural health building	<u>168,241</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,203,457</u>	<u>1,262,853</u>
 TOTAL LIABILITIES	<u>2,752,724</u>	<u>2,741,421</u>
 NET ASSETS		
Invested in capital assets, net of related debt	2,391,059	2,635,942
Restricted net assets	209,486	165,005
Unrestricted	<u>1,193,110</u>	<u>30,846</u>
TOTAL NET ASSETS	<u>3,793,655</u>	<u>2,831,793</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,546,379</u>	<u>\$ 5,573,214</u>

The accompanying notes are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Net patient service revenues	\$ 12,901,797	\$ 11,215,716
Advalorem taxes	84,760	79,764
Other operating revenue	470,461	446,163
TOTAL OPERATING REVENUE	<u>13,457,018</u>	<u>11,741,643</u>
OPERATING EXPENSES:		
Professional services	6,523,482	6,282,336
General and administrative	3,803,010	3,386,095
Depreciation and amortization	463,065	315,784
Provision for doubtful accounts	2,923,670	1,903,206
TOTAL OPERATING EXPENSES	<u>13,713,227</u>	<u>11,887,421</u>
INCOME (LOSS) FROM OPERATIONS	<u>(256,209)</u>	<u>(145,778)</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	1,192,984	42,243
Interest income	23,587	22,461
Gain (Loss) of sale of asset	1,500	(37,019)
TOTAL NON-OPERATING REVENUES	<u>1,218,071</u>	<u>27,685</u>
CHANGE IN NET ASSETS	<u>961,862</u>	<u>(118,093)</u>
TOTAL NET ASSETS, BEGINNING	<u>2,831,793</u>	<u>2,949,886</u>
TOTAL NET ASSETS, ENDING	<u>\$ 3,793,655</u>	<u>\$ 2,831,793</u>

The accompanying notes are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT C

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients	\$ 12,798,645	\$ 11,889,954
Ad valorem taxes	84,760	79,764
Cash payments to suppliers for goods and services	(8,030,997)	(6,874,329)
Cash payments to employees for services	<u>(4,923,245)</u>	<u>(4,501,173)</u>
Net Cash Flow from Operating Activities	<u>(70,837)</u>	<u>594,216</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of property and equipment	(1,199,950)	(191,231)
Proceeds from Grant Revenue	1,192,984	42,243
Proceeds from the sale of assets	1,500	-
Proceeds from long term borrowing	185,250	300,000
Principal payments on long-term debt	<u>(282,467)</u>	<u>(150,541)</u>
Net Cash Used in Capital and Related Financial Activities	<u>(102,683)</u>	<u>471</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	<u>23,587</u>	<u>22,461</u>
Net Cash Provided by Financing Activities	<u>23,587</u>	<u>22,461</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(149,933)	617,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,234,742</u>	<u>617,594</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,084,809</u>	<u>\$ 1,234,742</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (256,209)	\$ (145,778)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	463,065	315,784
Provision for doubtful accounts	2,923,670	1,903,206
Loss on Disposal of Assets	-	(37,019)
Increase in receivables and due from third parties	(3,498,783)	(1,652,671)
Decrease (Increase) in inventories and prepaid expenses	(17,533)	19,325
Increase in accounts payable and accrued expenses	<u>314,953</u>	<u>191,369</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (70,837)</u>	<u>\$ 594,216</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Avoyelles Parish Hospital Service District (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the governmental units that comprise that financial reporting entity.

Method of Accounting. The Hospital uses the accrual method of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (cont)

Inventory. Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital, net of related debt excludes unspent debt proceeds.

Restricted Net Assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries and benefits on the Hospital's Statement of Net Assets was \$158,503 and \$163,269 for 2008 and 2007, respectively.

Grants and Contributions. From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Activities distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing cost.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 68% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs. Included in net patient services is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$1,014,941 and \$ 790,542 for 2008 and 2007, respectively. This amount is subject to audit by the State of Louisiana.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medical fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2004.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2004.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 3: NET PATIENT SERVICE REVENUE (cont)

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

	<u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/08</u>
Land	\$ 88,352	\$ -	\$ -	\$ 88,352
Land improvements	290,454	-	-	290,454
Buildings	4,064,427	199,750	-	4,264,177
Fixed equipment	367,255	-	-	367,255
Major movables	<u>2,230,654</u>	<u>991,919</u>	<u>(23,452)</u>	<u>3,199,121</u>
Total cost	7,041,142	1,191,669	(23,452)	8,209,359
Less: Accumulated depreciation	<u>4,175,405</u>	<u>432,845</u>	<u>(23,452)</u>	<u>4,584,798</u>
	2,865,737	758,824	(-)	3,624,561
Construction in progress	-	<u>8,000</u>	-	<u>8,000</u>
Net Property, Plant and Equipment	<u>\$2,865,737</u>	<u>\$ 766,824</u>	<u>\$ -</u>	<u>\$3,632,561</u>

NOTE 5: LONG-TERM DEBT

Long-term debt at June 30, 2008, consisted of the following:

Revenue bonds, dated November 1, 1969, bearing interest of 4.75% maturing November 1, 2009, with interest payable May 1 and November 1 of each year, collateralized by the Hospital's gross receipts.	\$ 45,000
Revenue bonds, dated March 15, 2004 bearing interest of 4.5% maturing March 15, 2024, with interest payable monthly, collateralized by the Hospital's gross receipts	947,382
Revenue bonds, dated October 5, 2004, bearing interest of 5.25% maturing October 1, 2009, with interest and principal due monthly	150,909
Notes Payable, dated May 1, 2008, bearing interest of 6.00% maturing April 1, 2018, with interest and principal due monthly	182,363
Various notes with interest rates up to 1.9%, due in monthly installments through 2011, secured by equipment	<u>111,758</u>
	1,437,412
Less current portion	<u>233,955</u>
Long-term portion	<u>\$ 1,203,457</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 5: LONG-TERM DEBT (cont)

A summary of long-term debt activity for the year ended is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds 1972	\$ 45,000	\$ -	\$ 20,000	\$ 25,000	\$ 20,000
Revenue Bonds 2004 (USDA HVAC)	946,733	-	42,563	904,170	43,212
Revenue Bonds 2006	166,384	-	120,737	45,647	105,262
Note Payable - Baytree	39,505	-	15,292	24,213	15,293
Note Payable - Dialysis	6,895	-	6,895	-	13,810
Note Payable - Ultrasound	58,336	-	22,150	36,186	22,256
Rural Health Building	-	185,250	17,009	168,241	14,122
Total	<u>\$1,262,853</u>	<u>\$ 185,250</u>	<u>\$ 244,646</u>	<u>\$1,203,457</u>	<u>\$ 233,955</u>

Scheduled repayments on long-term debt are as follows:

	Principal	Interest	Total
2009	\$ 233,955	\$ 58,695	\$ 292,650
2010	168,813	50,342	219,155
2011	85,282	46,327	131,609
2012	65,997	43,071	109,068
Remaining	<u>883,365</u>	<u>233,622</u>	<u>1,116,987</u>
Total	<u>\$1,437,412</u>	<u>\$ 432,057</u>	<u>\$ 1,869,469</u>

NOTE 6: OPERATING LEASES

Total rental expense for June 30, 2008 and 2007, respectively, for all operating leases was \$88,344 and \$38,911.

NOTE 7: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$63,214 and \$63,116 for the year ended June 30, 2008 and 2007, respectively.

NOTE 8: ASSETS LIMITED AS TO USE

On November 12, 1968, the Hospital accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. This indenture imposed restrictions on the Hospital. A summary of cash restrictions follows:

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 8: ASSETS LIMITED AS TO USE (cont)

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the 1968 Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the 1968 Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.
- (4) A cash transfer to the 2004 Hospital Revenue Bond and Interest Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds. During the first year the Bonds are outstanding, a monthly sum equal to one-twelfth of the interest due on the first payment date on the Bonds shall be transferred.
- (5) A cash transfer to the 2004 Hospital Revenue Bond Reserve Fund by the 20th day of each month, commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. The transfer will continue until such time as there has been accumulated a sum equal to the highest principal and interest falling due in any year.
- (6) A cash transfer to the 2004 Hospital Depreciation and Contingency Fund by the 20th day of each month commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirements has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund, and said payments are to continue over the life of the Bonds.

It is the contention of management that the accounting requirements of the revenue bond issues were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 8: ASSETS LIMITED AS TO USE (cont)

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2008 and 2007 are set forth in the following table.

	<u>2008</u>	<u>2007</u>
Internally designated for capital acquisitions	\$ 23,604	\$ 23,197
Under indenture agreement	<u>185,882</u>	<u>165,005</u>
Total Assets limited as to use	<u>\$ 209,486</u>	<u>\$ 188,202</u>

NOTE 9: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consists of the following:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 875,323	\$ 1,046,540
Assets whose use is limited		
By board	23,604	23,197
By bond indenture	<u>185,882</u>	<u>165,005</u>
	<u>\$ 1,084,809</u>	<u>\$ 1,234,742</u>

Total interest paid by the Hospital was \$55,904 and \$57,663 for the fiscal year ending 2008 and 2007, respectively.

NOTE 10: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$10,000 or aggregate annual claims in excess of \$226,838. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at June 30, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
Medicare	39%	25%
Medicaid	17	24
Commercial and other third-party payors	19	20
All other	<u>25</u>	<u>31</u>
	<u>100%</u>	<u>100%</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments are as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,084,809	\$ 1,084,809	\$ 1,234,742	\$ 1,234,742
Accounts payable and accrued expenses	\$ 1,066,209	\$ 1,066,209	\$ 751,256	\$ 751,256
Estimated receivable from third-party payors	\$ 370,704	\$ 370,704	\$ 52,199	\$ 52,199
Estimated third-party payor settlements	\$ 161,780	\$ 161,780	\$ 388,452	\$ 388,452
Long-term debt	\$ 1,437,412	\$ 1,437,412	\$ 1,534,910	\$ 1,534,910

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2008 and 2007, the Hospital had bank balances as follows:

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 13: BANK DEPOSITS AND INVESTMENTS (cont)

	<u>2008</u>	<u>2007</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Collateralized by securities held by the financial institution's trust department in the Hospital's name	<u>2,035,381</u> \$ <u>2,235,381</u>	<u>2,239,058</u> \$ <u>2,439,058</u>
Carrying value	\$ <u>1,084,809</u>	\$ <u>1,234,742</u>

NOTE 14: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes. The current tax expires in 2009 and is expected to be renewed at current levy rates.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 17: FQHC DEVELOPMENT COSTS

In prior years, the hospital incurred costs towards the development of a Federally Qualified Health Center (FQHC). In the fiscal year ended June 30, 2008, the board decided to forgo the opening of the FQHC, which resulted in amortization expense of \$30,220.

NOTE 18: SUBSEQUENT EVENTS

On September 1, 2008, Hurricane Gustav made landfall on Louisiana's coast. The hospital experienced an estimated \$115,000 worth of property damage. The hospital received reimbursement from its property insurance in the amount of \$65,000 on October 17, 2008.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

INPATIENT SERVICE REVENUES

	<u>2008</u>	<u>2007</u>
Daily Patient Services:		
Adult and pediatric	\$ 474,257	\$ 453,475
Psychiatric unit	2,091,480	1,792,000
Swing-bed	60,535	124,400
Total	<u>2,626,272</u>	<u>2,369,875</u>
Other Nursing Services:		
Operating room	-	5,764
Central supplies	205,310	433,763
Observation	-	16,370
Emergency service	49,758	68,385
Total	<u>255,068</u>	<u>524,282</u>
Other Professional Services:		
Laboratory	969,598	1,052,569
Anesthesiology	-	3,330
EKG	37,570	35,275
EEG	-	475
Blood	14,448	20,003
Radiology	480,806	510,766
Pharmacy	724,926	815,088
Telemetry	47,000	86,900
Intravenous therapy	315,846	214,865
Inhalation therapy	164,917	112,839
Physical therapy	24,716	14,380
Professional fees	349,455	83,600
	<u>3,129,282</u>	<u>2,950,090</u>
TOTAL INPATIENT SERVICE REVENUE	<u>6,010,622</u>	<u>5,844,247</u>

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

OUTPATIENT SERVICE REVENUES

	<u>2008</u>	<u>2007</u>
Other Nursing Services:		
Operating room	11,506	40,050
Central supplies	174,397	235,129
Observation	282,137	226,960
Emergency service	<u>1,347,113</u>	<u>1,240,516</u>
Total	<u>1,815,153</u>	<u>1,742,655</u>
Other Professional Services:		
Laboratory	4,023,208	3,433,757
Anesthesiology	3,000	8,700
EKG	135,665	107,610
EEG	1,425	3,325
Blood	12,915	23,930
Radiology	3,057,012	2,555,088
Pharmacy	305,913	418,728
Telemetry	18,800	26,100
Cardiac rehab	108,285	103,108
Intravenous therapy	218,073	145,942
Inhalation therapy	80,661	55,098
Physical therapy	972	645
Intensive psychiatric therapy	1,077,735	1,408,750
Clinics	1,561,103	2,078,283
Professional fees	<u>747,747</u>	<u>734,009</u>
Total	<u>11,352,514</u>	<u>11,103,073</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>13,167,667</u>	<u>12,845,728</u>
GROSS PATIENT SERVICE REVENUE	19,178,289	18,689,975
Less Contractual Adjustments	<u>7,291,433</u>	<u>8,264,801</u>
Net Patient Service Revenue before Disproportionate Share	11,886,856	10,425,174
Medicaid Uncompensated Care	<u>1,014,941</u>	<u>790,542</u>
NET PATIENT SERVICE REVENUE	<u>\$ 12,901,797</u>	<u>\$ 11,215,716</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Cafeteria and vendor sales	\$ 35,776	\$ 34,182
Rental income	119,868	117,128
Joint venture	190,356	168,745
Pharmacy sales - employees	38,005	35,364
Other	<u>86,456</u>	<u>90,744</u>
	<u>\$ 470,461</u>	<u>\$ 446,163</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2008</u>	<u>2007</u>
Nursing	\$ 532,328	\$ 461,112
Operating room	201	131
Central supply	52,405	41,843
Emergency room	322,959	302,442
Laboratory	289,638	268,381
Radiology	291,573	255,056
IOP	170,962	1,399
Clinics	1,288,246	1,178,083
Other	<u>717,466</u>	<u>724,064</u>
Total Salaries and Fees	<u>3,665,778</u>	<u>3,232,511</u>

Supplies and Other Expenses:

Nursing	75,596	38,751
Operating room	-	9,572
Central supply	270,616	332,183
Emergency room	782,082	867,441
Laboratory	487,586	422,937
Radiology	89,333	173,003
Pharmacy	572,124	486,171
Anesthesiology	-	666
Inhalation therapy	163,447	153,181
IOP	90,447	195,946
Physical therapy	14,731	8,951
Clinics	128,773	167,546
Other	<u>182,969</u>	<u>193,477</u>
Total Supplies and Other Expenses	<u>2,857,704</u>	<u>3,049,825</u>
 TOTAL PROFESSIONAL SERVICES	 <u>\$ 6,523,482</u>	 <u>\$ 6,282,336</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2008</u>	<u>2007</u>
Administrative	\$ 848,465	\$ 839,040
Maintenance	138,489	133,939
Housekeeping	82,402	89,423
Medical records	109,758	112,494
Dietary	<u>102,458</u>	<u>93,142</u>
Total Salaries and Fees	<u>1,281,572</u>	<u>1,268,038</u>

Supplies and Other Expenses:

Interest	63,454	57,306
Administrative	1,702,582	1,542,656
Maintenance	555,315	373,080
Housekeeping	36,016	26,059
Medical records	49,936	19,546
Dietary	<u>114,135</u>	<u>99,410</u>
Total Supplies and Other Expenses	<u>2,521,438</u>	<u>2,118,057</u>
 TOTAL GENERAL AND ADMINISTRATIVE SERVICES	 <u>\$ 3,803,010</u>	 <u>\$ 3,386,095</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

YEAR ENDED JUNE 30, 2007 AND 2008

	<u>2008</u>	<u>2007</u>
Judge James Mixon	\$ -	\$ -
Charles T. Descant	\$ -	\$ -
Dr. Olivier La Prairie	\$ -	\$ 120
Harry Normand	\$ 480	\$ 480
Barbara Jones	\$ 320	\$ 360
Nancy Carruth	\$ -	\$ -
Jeff Keys	\$ 240	\$ 480
Craig Foster	\$ 120	\$ -



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1 Parish of Avoyelles (The District), d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 24, 2008.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider all deficiencies described in the accompanying

"Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses in internal control over financial reporting.

COMPLIANCE

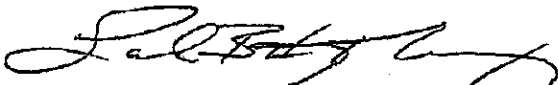
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards*.

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Avoyelles and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLINAIS, BROUSSARD & KURLENBERG
A Corporation of Certified Public Accountants

November 24, 2008

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2008

We have audited the general purpose financial statements of Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 24, 2008.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2008, resulted in an unqualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control:

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance:

Compliance Material to Financial Statements	Yes
---	-----

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2008-1 Compliance

Condition and Criteria: Payroll taxes are not being withheld and paid on checks written to board members for meeting fees. State law dictates that board members are to be treated as employees and proper payroll taxes should be paid on compensation.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Board members should be treated as employees with payroll taxes withheld and remitted to the appropriate agencies.

Management Response: Board members are being paid through the payroll system for the \$40 per meeting attended. It was unclear as to what taxes needed to be withheld on this amount. Since this finding was disclosed to the hospital, proper payroll taxes are being withheld. This issue is resolved.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2008

B- Significant Deficiencies and Material Weaknesses

Finding 2008-2 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also consider outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: The hospital at this time is considering outsourcing the financial statement preparation to an independent certified public accountant.

Finding 2008-3 Segregation of Duties

Condition and Criteria: The hospital has several employees whose duties are not segregated.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions should be segregated functions.

Management Response: The hospital has segregated as many duties as possible. To further segregate duties would require the hiring of additional staff which would be a financial burden to the hospital.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2008

Finding 2008-4 Vacations

Condition and Criteria: Key employees are not required to take continuous vacations.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Employees in key positions should be required to take a continuous one-week vacation per year and another employee should be required to perform the duties of that person.

Management Response: Employees are cross trained to perform duties of employees in key positions; however, required continuous one-week vacations are not part of hospital policy. The requirement of continuous one-week vacations for key employees will be considered.

Finding 2008-5 Bad Debts

Condition and Criteria: In a sample of bad debts tested for supporting documentation, the hospital could not provide support on a significant number of the total sample..

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Accounts established as bad debts must have adequate supporting documentation, including proof of supervisory approval.

Management Response: Through training and the creation of policy and procedures regarding the write off of bad debts, this issue should be resolved.

Finding 2008-6 General Ledger Accounting

Condition and Criteria: Due to high turnover and a small accounting staff, significant general ledger accounts are not being reconciled to subsidiary ledgers or support in a timely manner.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Significant general ledger accounts should be reconciled to supporting ledgers and documentation and adjusted in a timely and accurate manner.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2008

Finding 2008-6 General Ledger Accounting (cont'd)

Management Response: The hospital is looking for additional accounting staff to ensure that the subsidiary ledgers are reconciled timely to significant general ledger accounts.

Finding 2008-7 Asset Reconciliation

Condition and Criteria: Assets present on the depreciation schedule and balance sheet have not been reconciled to those in possession. Depreciable assets are not labeled with permanent identification tags.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The asset balances reflected on the financial statements should be reconciled to assets in the hospital's possession.

Management Response: The hospital will reconcile the assets in possession to those present on the depreciation schedule. The hospital will also begin to label all depreciable assets.

Finding 2008-8 Budget

Condition and Criteria: There is no evidence in the board minutes that the budget for the fiscal year ended June 30, 2008, was approved by the board of commissioners.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The board of commissioners should approve all budgets and budget amendments and monitor the budget to actual variances throughout the year.

Management Response: The missed approval of the budget for the fiscal year was an oversight. No other prior fiscal year budgets were unapproved and the current fiscal year budget has been presented and approved by the board of commissioners. This issue has been resolved.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2008

Section III: Management Letter Items

There are no management letter items at June 30, 2008.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

Section I - Internal Control and Compliance Material to the Financial Statements

Finding 2007-1 Compliance - Board Member Fees are paid through accounts payable, not payroll. State law dictates that board members are to be treated as employees and proper payroll taxes should be paid on compensation.

Status: Unresolved. See 2008-1.

Finding 2007-2 Safeguarding of Assets - The hospital's network drive does not include all computers; furthermore, there is not backup policy for local hard drives.

Status: Resolved.

Finding 2007-3 Minutes - Minutes of the board meetings are not consistently detailed.

Status: Resolved.

Finding 2007-4 Financial Statement Preparation - Accounting staff lacks the ability to prepare financial reports in conformity with accounting principles generally accepted in the United States (GAAP) and with standards established by the Governmental Accounting Standards Board (GASB).

Status: Unresolved. See 2008-2.

Finding 2007-5 Corrective Action Plan - The Corrective Action Plan drafted in response to the prior year's management letter comments was not approved by the Board of Commissioners.

Status: Resolved.

Finding 2007-6 Segregation of Duties - The hospital has several employees whose duties are not segregated. The authorization of transactions and decisions, recording of those transactions, and custody of assets related to those transactions should be segregated.

Status: Unresolved. See 2008-3.

Finding 2007-7 Safeguarding of Assets (A) - The deposit is not secured from the time it leaves the hospital to the time it is deposited at the bank.

Status: Resolved.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

Finding 2007-8 Safeguarding of Assets (B) - The disposal of fixed assets are not reflected in the general ledger account balances.

Status: Resolved.

Finding 2007-9 Safeguarding of Assets (C) - Established purchasing procedures including proper matching of requisitions, purchase orders, invoices/receipts and receiving slips are not followed for credit card purchases.

Status: Resolved.

Finding 2007-10 Safeguarding of Assets (D) - Employees other than the purchasing and receiving clerks are allowed to take supplies from general storage. Furthermore, there is no procedure in place to ensure that chargeable items taken from general storage are charged to a patient.

Status: Resolved.

Finding 2007-11 Vacations - Key employees are not required to take continuous vacations.

Status: Unresolved. See 2008-4.

Finding 2007-12 Bad Debts - In a sample of bad debts tested for supporting documentation, the hospital could not provide support on asignificatn number of the total sample.

Status: Unresolved. See 2008-5.

Finding 2007-13 Support for purchases - The purchase requisition is not included int the invoice packet when presented for payment to the chief financial officer.

Status: Resolved.